CASTLE & COOKE, INC.

ANNUAL REPORT

1958

Honolulu, the capital and metropolitan center of Hawaii, stretching from the industrial Iwilei district in the foreground past Honolulu Harbor and the downtown business area, to Waikiki and Diamond Head.

CASTLE & COOKE, INC.

HIGHLIGHTS

- Consolidated earnings in 1958 were $1,710,235 compared with $2,755,423 in 1957. Dividends of $.93 were paid against $1.23 for the prior year.

- As a result of the 1958 sugar strike, Ewa and Kohala sugar companies showed substantial losses for the year. Waialua reported a profit but less than in 1957.

- The 1958 merger of Helemano and Castle & Cooke has increased the latter company's direct investment in land and pineapple.

- Through purchase of additional shares in 1958 and early 1959, Castle & Cooke now owns approximately 60 per cent of Columbia River Packers, Pacific Northwest seafoods firm.

- Inauguration of Matson's new cargo container program has resulted in substantial changes in the waterfront operations of Castle & Cooke Terminals.

- Castle & Cooke and Theo. H. Davies & Co., Ltd., have jointly formed Kawaihae Terminals, Inc., to provide bulk sugar facilities and stevedoring and terminals services for the west Hawaii port.

- The company's marketing program for Royal Hawaiian Macadamia Nuts was expanded to include new broker outlets in some 20 major mainland cities.

THE PRESIDENT'S LETTER

To the Stockholders of Castle & Cooke, Inc.

American business is in a period of accelerated change and development. Business leadership nationally has recognized the necessity of flexibility to adjust to changing conditions and new opportunities produced by the increased tempo of events. In Hawaii, too, there has been a quickening of the business pulse. No year in the recent history of the islands has witnessed such a volume and variety of economic activity. This has resulted in part from increased mainland interest in Hawaii and in part from local efforts to broaden and diversify the Territory's economic base. Some companies have departed from long established business patterns. There have been consolidations and realignments. Others have ventured into new fields of endeavor.

Our own company, Castle & Cooke, has been affected by this new business climate. Most significant of the changes was the merger with Helemano Company, Limited, in May, 1958. The merger has greatly increased our land holdings and our investment in the pineapple industry. In addition, it had the effect of substantially increasing the number of owners of our stock.

For the first time in Castle & Cooke history, the company has become a substantial direct owner of land on Oahu through acquisition of the 27,290 acres formerly held by Helemano.

Castle & Cooke, which already held a 15 per cent interest in Hawaiian Pineapple Company, acquired Helemano's 32 per cent interest in Hapco. This combination, plus acquisition of additional shares, gave us a 49 per cent position in Hapco's common stock at the year end.

Up to the time of the merger, there were approximately 1,000 Castle & Cooke stockholders. As a result of the merger, plus the effect of active trading, there were 3,150 shareholders by the end of the year.

Consolidated earnings for Castle & Cooke, including Helemano's income for the full year, were $1,710,235 in 1958, or $1.11 per share. This compares with adjusted earnings of $2,755,423, or $1.79 per share in 1957. Profits were depressed by the sugar strike which reduced our income from Ewa, Waialua and Kohala sugar companies.

Although terms of the strike settlement in June should assure some stability in the industry for the next two years, it will be sometime before our three plantations recover from effects of the tieup and are back to normal cropping schedules. The higher wage costs which the plantations now experience will make it increasingly difficult for them to return a satisfactory profit.

The impact of the strike on the industry's mainland marketing program was serious, but not as damaging as it might have been had not the California and Hawaiian Sugar Refining Corporation, Limited, managed to purchase sugar from other producing areas for some of its refining needs.

In contrast with our experience in the sugar industry, our labor relations on the waterfront continued stable, despite major changes in cargo handling procedures. The year saw the inauguration of the first phase of Matson's containerization program. An extension of this new type of service is contemplated with the second phase of the program involving further conversion of vessels to accommodate additional container movements.

In conjunction with this change Castle & Cooke, Matson and the Oahu Railway and Land Company reached agreement on use of waterfront property and division of responsibility for a container freight station to facilitate use of this new service by our freight customers.

Meantime, Castle & Cooke's waterfront activities have expanded to include joint ownership with Theo. H. Davies & Co., Ltd., of a newly formed stevedoring and terminal services company at the port of Kawaihae on the Island of Hawaii. In addition to handling shipment of bulk sugar and molasses for three Big Island sugar companies, including Kohala, Kawaihae Terminals will also provide general stevedoring services for other types of cargo. It is expected that availability of the new port and facilities will help stimulate further business expansion of the western portion of that island.

There were changes, too, in Castle & Cooke's interest and investment in food products and merchandising. With macadamia nut production at our Keaau Orchard increasing steadily, we expanded our mainland marketing program to establish broker outlets in nearly every major mainland city.

Having been well pleased with the results of the merger of Hawaiian Tuna Packers into Columbia River Packers in 1956, we have since enlarged our investment in the latter firm. We acquired 35,000 shares of CRP from Transamerica Corporation of San Francisco during 1958, and recently purchased another 80,083 shares, giving us about 60 per cent of CRP shares outstanding. This represents the first time in the history of Castle & Cooke that we have acquired a majority ownership position in a mainland firm.

In contrast to the two previous years, our investment in pineapple showed encouraging prospects. Following realignment of the marketing program early in 1958, Hawaiian Pineapple Company inaugurated measures to reduce costs and improve general efficiency. These moves, combined with better market conditions in the canned food industry, resulted in improved sales and higher profit margins for the 1957-1958 fiscal year.

None of the foregoing developments and changes in the business scene, however, have more important implications than those involved in statehood.

Because we have been a consistent advocate of statehood for many years, our company regards the favorable action by Congress with solid satisfaction.

Hawaii has long sought statehood. Now that we have achieved that goal, we must be ready to assume the additional responsibilities which it will impose on our community. This involves the responsibility to provide a pattern of government under which our social and economic progress as a state may continue, with a business climate that will encourage continued growth and development to meet the changing needs and aspirations of our people.

March 15, 1959

AG Budge

PART I

This portion of the report covers developments in various divisions, subsidiary and affiliated companies in which Castle & Cooke has management responsibility directly or in its capacity as agent.

SUGAR PRODUCTION

The 126-day sugar strike had a damaging effect upon Hawaii's major industry and upon the islands' economy as a whole. The 27 sugar plantations produced 764,953 tons for the year. This compares with 1,084,646 tons shipped in 1957. Total receipts from sugar and molasses sales amounted to $98,000,000 in 1958, compared with $136,000,000 in 1957.

Effects of the strike on individual plantations varied widely. Some suffered severely; others, relatively little. How soon the industry as a whole can recover depends on many factors, including ability of the various companies to get crops back in cycle, and to maintain labor peace. The three year contract which ended the tieup assures some measure of stability.

Fields of sugar cane stand before Ewa Plantation Company's mill on leeward Oahu.

Manpower and irrigation water . . . These vital elements were lacking for Hawaii's sugar industry during four months of 1958 due to the sugarworkers' strike.

The average return to Hawaiian producers of $122.01 per ton for 1958 was slightly better than the 1957 average of $121.08. Molasses, on the other hand, averaged $14.96 per ton, down $2.73 from the previous year.

The raw sugar market during much of 1958 was strongly influenced by lack of normal supply from Hawaii and Puerto Rico. As the raw price rose from the year's low of $118.60 in early March, the Department of Agriculture made several quota adjustments in an effort to stem the advance. These included the allocation of our production deficiency to other areas.

Further upward pressure on price, however, arose from the Cuban revolt. United States refiners, fearing normal Cuban production might be cut off by the upheaval, turned to non-Cuban sources with an aggressive buying policy. This held the raw sugar price at an average of $128.80 during December.

With the Castro victory and some indication that he would reach an understanding with Cuban producers, the price declined to $119 by the end of February, 1959. What further effect the Castro administration will have on Cuban production, and what consequent impact his policies will have on price, remain to be seen.

Sales of refined sugar by California & Hawaiian Sugar Refining Corporation, Limited, were substantially below forecasted volume because of the strike. Sales of industrial sugars were off to an even larger extent. Fruit canners, for example, turned to other suppliers to be sure of their requirements.

This experience once again underscored the vital interdependence of production and sales. One of the problems we face is to build better understanding of this relationship in order that our industry, operating under strict price controls, can maintain its sales position in an increasingly competitive market.

EWA PLANTATION CO.

Ewa Plantation, historically one of the most efficient producers, is also the most vulnerable to a prolonged tieup because of its dependence on irrigation. The Ewa crop suffered proportionately more damage than that of any other company.

The company had a net loss of $238,392 compared with a 1957 profit of $711,390. The crop of only 26,518 tons compared with the 1957 crop of 61,392 tons. Production for 1959 is not expected to be appreciably better than that of 1958. It is hoped that by 1961 the crop will be somewhere near normal. It will be sometime before dividend payments will be resumed.

Under terms of the industry's mutual support agreement entered into prior to the strike, Ewa will be compensated for a portion of its 1959 losses providing its production is less than two-thirds of established normal tonnage.

While Ewa's skillful and efficient management may be expected to regain production volume eventually, the company's future is clouded by the fact that all of its lands are under a lease which has only 20 years to go. Any similar work stoppage in the future could raise serious questions regarding the ability of this company to stay in business.

KOHALA SUGAR CO.

As a result of the strike allowing only two-thirds of normal grinding time, Kohala Sugar Company produced only 28,511 tons of sugar compared with a crop of 48,627 tons in 1957. In 1959 and 1960, the crops will be larger because of the substantial acreage carried over from 1958.

The company had a net loss of $224,273 after tax credits. This compares with a 1957 profit of $313,464. Kohala is almost a wholly owned subsidiary and its earnings are consolidated with those of Castle & Cooke.

WAIALUA AGRICULTURAL CO.

Waialua Agricultural Company, Limited, came through the long tieup with relatively little cane damage, but crop cycles were seriously disrupted. This means that while the 1959 production may be near normal, the 1960 crop, because of the late start, is expected to be considerably less.

In 1958 Waialua produced 51,536 tons compared with 63,027 tons in 1957. The 1958 profit was $341,217 against $482,756 for the prior year.

Castle & Cooke Terminals has developed new cargo handling tools and techniques to keep pace with new concepts in freight movement exemplified by Matson's huge new cargo containers.

WATERFRONT & SHIPPING

CASTLE & COOKE TERMINALS

This wholly owned subsidiary of Castle & Cooke was involved throughout the year in planning for and adjusting operations to conform to new concepts and new techniques and procedures for handling cargo.

Movement of cargo in containers required long-range operational changes; realignment of organizational functions, and changes in management concepts. It was necessary, for example, to plan for a container marshaling yard which was under construction on the old Oahu Railway & Land Company depot site as the year ended. This facility was being built by OR&L on the railway company's property but will be operated by the Terminals. OR&L, in turn, will be responsible for transporting the containers by rail between the marshaling yard and dockside.

It is expected that an increasing volume of cargo will be handled by this new method as additional ships are equipped for container service.

FREIGHT AGENCY

The freight department of Castle & Cooke is organized and staffed to provide the services for which the company is responsible as Honolulu freight agent for Matson, Isthmian and Nippon Yusen Kaisha and husbanding agent for other carriers.

Having added personnel and expanded services in 1957, this department experienced no major organizational change in 1958. Considerable staff time was devoted to the container progam, developing tonnage data and assisting consignees assess immediate and potential advantages of this new service. Continued emphasis was placed upon specialized service for various accounts so that our organization and those of the carriers we represent may be effective in meeting customer requirements as they are affected by changing conditions.

KAWAIHAE TERMINALS

Construction of a $1,100,000 bulk sugar warehouse and loading facility at Kawaihae was under way as the year ended. Castle & Cooke, Inc., and Theo. H. Davies & Co., Limited, have jointly formed a new firm, Kawaihae Terminals, Inc., which will provide stevedoring and terminal services for the west Hawaii port.

When completed, the Kawaihae bulk sugar and molasses facilities will be used by Kohala, Honokaa and Hamakua plantations. Kawaihae Terminals, however, will also provide general stevedoring services for other types of cargo. The availability of the new facilities and improved harbor is expected to benefit farmers and ranchers as well as the sugar companies. It should also eventually contribute to the growth of tourism and the general business development of the area.

Castle & Cooke and Davies jointly guaranteed a loan from the Prudential Insurance Company to finance the new facilities.

Packed at a newly enlarged factory on the island of Hawaii, Royal Hawaiian Macadamia Nuts were introduced to more than 20 key market areas across the mainland during 1958.

MACADAMIA NUTS

Sales of Royal Hawaiian brand macadamia nuts continued to keep pace with increasing production at Castle & Cooke's Keaau Orchard on the Island of Hawaii. For the first time, supply was adequate to support introduction of the product in some 20 key cities outside the New York area where we started in 1956.

This involved the selection and appointment of suitable brokers and distributors from coast to coast and a modest national advertising program.

Our package design, product quality and pricing appear to be readily acceptable in all of the new markets and sale of the larger 1959 and 1960 crops seems assured through the distribution techniques now established.

Substantial expansion of the factory at Keaau was required to handle the 1958 crop. Volume was sufficient to justify installation of several commercial processing machines to eliminate hand operations. It is anticipated that improved methods now under study will result in further mechanization.

With the exception of some damage from two severe storms, field operations continued normal and the condition of the trees is excellent. Experiments in mechanical harvesting techniques were conducted on a large scale and now indicate a possibility of ultimate success.

Hawaiian Equipment Company provides island industry and agriculture with a full line of International Harvester trucks and tractors as well as other industrial and farm equipment.

HAWAIIAN EQUIPMENT

Despite the extended sugar strike and continually rising cost of equipment, Hawaiian Equipment Company, Ltd., maintained a high level of sales and showed a satisfactory profit. The effect of the strike was partially offset by the continued building boom and the steady demand for various types of construction machinery represented by the firm.

International Harvester Company, for which Hawaiian Equipment Company is distributor, has introduced many new and improved models of trucks and tractors. The reliability of Harvester products has become firmly established in the agricultural and construction industries despite intense competition from other manufacturers.

Hawaiian Equipment is a wholly owned subsidiary and its earnings are consolidated with those of Castle & Cooke.

BLACKHAWK RANCH

This investment in 6,556 acres of California land continues to appreciate in value with the increased industrial, commercial and residential utilization of adjacent areas. Major highway and water developments in the near-by San Ramon Valley were commenced this year in anticipation of the expected growth of the region. Another excellent walnut crop and satisfactory returns from the cattle operation provide sufficient income to cover carrying costs.

PART II

This portion of the report covers companies in which Castle & Cooke has a substantial investment but exercises no direct management responsibility other than through representation on boards of directors.

HAWAIIAN PINEAPPLE CO.

Better market conditions in the canned foods industry, combined with an aggressive efficiency improvement program, resulted in enlarged sales and profit margins for Hawaiian Pineapple Company.

For its fiscal year ended May 31, 1958, Hapco reported a net operating profit of $1,904,000, compared with $1,368,000 in the prior year.

Cash dividends on the common stock, which had been omitted since August, 1957, were resumed in November, 1958, with a quarterly payment of $.25 per share. An additional $.25 was paid in February, 1959.

Supply and demand for most Mainland fruits, vegetables and juices were more nearly in balance than had been the case in the past several years. This fostered a firmer price structure for most products packed by the company's Mainland plants, and permitted modest price advances on Hapco's pineapple products.

Heavy movement of pineapple products in anticipation of these price increases was largely responsible for increased company sales in the first half of the current fiscal year. While good sales are expected to continue, it is not anticipated that the rate of increase will prevail throughout the year.

On the islands of Oahu and Lanai, men and machines combine to harvest pineapple destined to be packed under the Dole label.

Matson's flagship, the SS Lurline, berthed at Pier 11 beneath Honolulu's Aloha Tower. One of the company's freighter fleet looms in the foreground.

MATSON LINES

As a result of changing conditions and rising costs affecting various Matson operations and properties, the management and directors of the company have undertaken a continuing review of some of its properties. The study resulted late in the year in a decision to sell the four Matson hotels in Waikiki to the Sheraton chain. While this sale removed the familiar Matson house flag from these Waikiki landmarks, it also made one of the nation's largest hotel organizations a direct participant in Hawaii's growing tourist trade.

In the meantime, Matson's research program looking to new and improved shipping methods produced some major changes on the Honolulu waterfront.

The company inaugurated the first phase of its cargo container program in September. Preparations for the second phase, involving conversion of ships so that a larger volume of cargo may be handled by this new method, are continuing.

Matson and representatives of Hawaii's sugar industry also negotiated a revised tariff and improved service for raw sugar shipments. It is expected this arrangement will benefit both the carrier and the industry.

Consolidated net profit for 1958 was $343,143 or $.23 per share, compared with $2,510,000 or $1.67 per share in 1957.

COLUMBIA RIVER PACKERS

This company had one of the best years in its history with sales at an all time high, in both dollar volume and number of cases packed. Gross sales totaled $20,630,620 compared with $18,883,740 in 1957. Profits after taxes in 1958 were $863,036 against $767,419 for the prior year.

Castle & Cooke now owns 160,083 or approximately 60 per cent of the 270,000 Columbia River Packers shares outstanding. We attained this majority position through the purchase of additional shares of CRP stock from Transamerica Corporation in 1958 and in February, 1959.

The company's sales of tuna products showed continued growth. Sales of salmon products were less favorable because of a somewhat disappointing season in Alaskan waters, although the catch from the Columbia River and Puget Sound areas was good.

Castle & Cooke's enlarged investment in CRP reflects confidence that the company will be able to maintain a strong market position with its various seafood products and that there will be further growth under direction of the firm's able management.

HONOLULU OIL

Lower prices and reduced rates of production resulted in lower earnings for this company than in the prior year. Earnings per share for 1958 were $3.16. This compares with $3.88 per share in 1957, a decrease of 18.5 per cent.

So far, Honolulu Oil Corporation has confined its operations to the United States and Canada, but is studying other foreign prospects at the present time.

Castle & Cooke has no operating interest in this company other than representation on the board of directors. But our 4.27 per cent stock investment provides an important source of income, amounting to $320,000 in 1958.

The complex equipment of our electronic age undergoes overhaul and calibration at Kentron Hawaii, Ltd. Pictured above is the firm's electronics repair shop

KENTRON HAWAII

Despite a substantial increase in sales volume, this company fell somewhat short of its breakeven point for the year. While Kentron television tubes have been well received by dealers and set owners, the potential of this market in the territory appears to be less than had been expected. However, contract overhaul and calibration work for military and industrial users of electronic equipment has grown steadily. Continued expansion appears likely in 1959.

HOME INSURANCE CO.

Automobile losses, with increased severity, continued to plague the general insurance companies. Home was no exception. However, very good results in other classes of insurance provided satisfactory overall returns. Home enjoyed its biggest premium year in history, and the dividend, increased to $1.60, was amply covered.

CONSOLIDATED INVESTMENTS OF CASTLE & COOKE, INC.*

AS OF DECEMBER 31, 1958

STOCK INVESTMENTS:	Shares Outstanding	Number of Shares Held	% of Total Outstanding
Bay & River Navigation Co.	17,000	2,925	17.21
Bishop Trust Co., Ltd.	120,493	4,500	3.73
Calif. & Hawn. Sugar Ref. Corp., Ltd.	151,785	4,386	2.89
Columbia River Packers Assn., Inc.	270,000	80,000	29.63
Ewa Plantation Co.	240,000	65,000	27.08
Hawaiian Development Co., Ltd.	5,700	221	3.88
Hawaiian-Philippine Co. (Pfd.)	398,778	33,154	8.31
Hawaiian Pineapple Co., Ltd.	2,115,532	1,030,031	48.69
Hawaiian Trust Co., Ltd.	87,500	3,844	4.39
Home Insurance Co. of Hawaii, Ltd.	125,000	50,000	40.00
Honolulu Oil Corporation	3,750,972	160,000	4.27
Kawaihae Terminals, Inc.	2,000	1,100	55.00
Kentron Hawaii, Ltd. (Pfd).	10,000	4,529	45.29
Kentron Hawaii, Ltd. (Common)	160,000	51,315	32.07
Matson Navigation Company	1,500,000	204,720	13.65
Waialua Agricultural Co., Ltd.	600,000	233,948	38.99

* Includes the following subsidiaries whose financial position and operating results are consolidated with those of Castle & Cooke, Inc.:

Blackhawk Ranch Co.	15,000	15,000	100.00
Castle & Cooke Terminals, Ltd.	60,000	60,000	100.00
Hawaiian Equipment Co., Ltd.	150,000	150,000	100.00
Kohala Sugar Co.	250,000	249,676	99.89

CASTLE & COOKE, INC.

STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

AS OF DECEMBER 31

	1958		1957	
CURRENT ASSETS:				
Cash	$ 1,770,986		$ 2,106,187	
Marketable Securities at Cost—Less Amortization	2,645,261		4,052,444	
Accounts and Notes Receivable	2,215,879		1,969,150	
Mortgage Note Receivable Within One Year	100,000		162,670	
Inventories:				
Merchandise at Lower of Cost or Market	1,647,499		1,599,746	
Supplies at Cost	784,484		845,770	
Prepaid Expenses	120,682		141,314	
Total Current Assets		$ 9,284,791		$10,877,281
DEDUCT CURRENT LIABILITIES:				
Accounts Payable	$ 3,513,023		$ 2,995,143	
Notes Payable (Note 1)	752,962		1,072,698	
Income Taxes Payable	463,859		1,189,377	
Total Current Liabilities		4,729,844		5,257,218
NET CURRENT ASSETS		$ 4,554,947		$ 5,620,063
GROWING CROPS—Static Value (Note 2)		1,000,000		1,000,000
INVESTMENTS (Note 3)		17,612,623		15,991,069
LAND at Cost		5,403,487		5,359,568
BUILDINGS, MACHINERY AND EQUIPMENT	$14,885,230		$14,490,113	
Less Reserve for Depreciation	9,453,258		8,866,150	
		5,431,972		5,623,963
NOTES RECEIVABLE		36,449		473,956
MORTGAGE NOTE RECEIVABLE AFTER ONE YEAR		369,977		759,580
		$34,409,455		$34,828,199
DEDUCT:				
Notes Payable Due After One Year (Note 1)	$ 1,489,840		$ 1,792,000	
Deferred Income—Gain on Sale of Land	445,600		874,416	
Reserves:				
Insurance and Other	65,320		56,504	
Minority Interest in Subsidiary	8,031		8,680	
		2,008,791		2,731,600
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES		**$32,400,664**		**$32,096,599**
STOCKHOLDERS' EQUITY:				
Capital Stock: $10 Par Value (Note 4)				
Authorized: 2,500,000 Shares				
Issued: 1,540,361 Shares		$15,403,610		$15,403,610
Capital Arising from Acquisition of Subsidiaries' Stock		2,406,863		2,406,863
Accumulated Earnings Invested in the Business		14,590,191		14,286,126
TOTAL STOCKHOLDERS' EQUITY		**$32,400,664**		**$32,096,599**

See Notes to Financial Statements.

CASTLE & COOKE, INC.

STATEMENT OF CONSOLIDATED EARNINGS
and
CCUMULATED EARNINGS INVESTED IN THE BUSINESS

FOR THE YEARS ENDED DECEMBER 31

	1958		1957	
INCOME:				
Agency Fees		$ 1,581,169		$ 1,519,069
Dividends		1,073,016		1,697,850
Interest		69,481		81,624
Gross Receipts (Subsidiaries) (Note 6)	$19,653,804		$21,642,313	
Less: Cost of Sales and Direct Expenses	16,660,015		17,375,506	
Gross Margin (Subsidiaries)		2,993,789		4,266,807
Rentals—Equipment		377,735		434,946
Rentals—Other		863,433		830,997
Gain on Sale of Land		428,815		425,113
Miscellaneous—Net		163,558		196,751
Total Income		$ 7,550,996		$ 9,453,157
OPERATING EXPENSES (Note 7)		5,100,860		5,275,452
NET INCOME Before Income Taxes		$ 2,450,136		$ 4,177,705
INCOME TAXES:				
Federal	$ 639,811		$ 1,331,221	
Territorial	99,520		90,171	
California	847		485	
		740,178		1,421,877
NET INCOME		**$ 1,709,958**		**$ 2,755,828**
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY		(277)		405
NET INCOME, CASTLE & COOKE, INC.		**$ 1,710,235**		**$ 2,755,423**
ACCUMULATED EARNINGS INVESTED IN THE BUSINESS—JANUARY 1		14,286,126		13,220,244
ADD:				
Reserve for Contingencies Transferred to Accumulated Earnings		....		30,000
		$15,996,361		$16,005,667
DEDUCT:				
Dividends—Per Share: 1958—$.93; 1957—$1.23		1,406,170		1,719,541
ACCUMULATED EARNINGS INVESTED IN THE BUSINESS—DECEMBER 31		**$14,590,191**		**$14,286,126**

See Notes to Financial Statements.

FINANCIAL NOTES

1. Notes payable in the amount of $2,242,802 consist of (1) $450,802 Hawaiian Equipment Company, Limited, notes payable to the banks. Certain trucks and other equipment are pledged as collateral for these notes. (2) $1,792,000 unsecured Castle & Cooke, Inc. notes payable to banks within the next three years.
2. Growing crops of Kohala Sugar Company are stated at a static value which is less than the current cost of the crops.
3. During 1958 the company acquired further interest in Columbia River Packers Association, Inc. In 1959, an additional investment was made in this company to bring Castle & Cooke's interest to about 60% of the outstanding capital stock.
4. The merger of Helemano Company, Limited into Castle & Cooke, Limited became effective on May 29, 1958. Castle & Cooke, Limited, under the new name of Castle & Cooke, Inc., became the surviving corporation. Under the terms of the merger, Castle & Cooke shareholders received an additional ½ share of Castle & Cooke, Inc. for each share held; Helemano shareholders converted their shares on a share for share basis into shares of Castle & Cooke, Inc. The authorized capital stock of the company was increased to 2,500,000 shares of which 1,540,361 were issued and outstanding at December 31, 1958.
5. There are outstanding options in favor of officers and employees of Castle & Cooke, Inc. and one subsidiary, under which they have or may acquire rights to purchase, after adjustment according to Note 4, an aggregate of 28,500 shares of authorized but unissued shares of Castle & Cooke, Inc., at an option price of $18.00 per share.
6. Consistent with the accounting procedures for sugar plantations, conditional compliance payments are recorded in the year in which they are received, although the payment is based on the crop of the preceding year. Included in gross receipts in 1958 and 1957 are the amounts of $395,033 and $384,849 respectively, received by Kohala Sugar Company.
7. Included in operating expenses is depreciation which has been calculated on the straight line method except for certain equipment purchased subsequent to 1953 on which depreciation has been calculated on the "sum of the years' digits" method. Depreciation taken during 1958 and 1957 was $853,891 and $887,991 respectively.
8. Contingent Liabilities:
   The outstanding balance at December 31, 1958 of accounts and notes receivable of Hawaiian Equipment Company, Limited, discounted at banks was $1,315,440.
   Not included in the Statement of Financial Condition are unfunded commitments for retirement plans in effect for active employees of the company and its subsidiaries amounting to approximately $848,000 at December 31, 1958. Payments to insurance underwriters in 1958 for the insured plans were $658,000, of which approximately $555,500 was on account of current service cost and $102,500 was applied to the unfunded commitments.
   The company is the guarantor of notes totalling $600,000 issued by Windward City, Ltd. to the Bank of Hawaii. These notes are payable in three annual installments beginning in 1959.
9. Principles of Consolidation:
   Companies in which Castle & Cooke, Inc. owns substantially all of the outstanding stock have been consolidated in the accompanying financial statements. These companies include:
    1. Castle & Cooke Terminals, Limited
    2. Hawaiian Equipment Company, Limited
    3. Kohala Sugar Company
    4. Blackhawk Ranch Co.

   The financial statements for 1957 have been restated to give effect to the merger with Helemano Company, Limited (referred to in Note 4) and to include Blackhawk Ranch Co. which, as a result of the merger with Helemano Company, Limited, became a wholly owned subsidiary. This has been done for the purpose of making these financial statements comparable with 1958.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

1154 BISHOP STREET
HONOLULU 9, HAWAII

AUDITOR'S REPORT

To the Stockholders of
Castle & Cooke, Inc.:

We have examined the Statement of Consolidated Financial Condition of Castle & Cooke, Inc., and its subsidiaries at December 31, 1958, and the Statement of Consolidated Earnings and Accumulated Earnings Invested in the Business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying Statements of Consolidated Financial Condition, Consolidated Earnings and Accumulated Earnings Invested in the Business present fairly the consolidated financial position of Castle & Cooke, Inc., and its subsidiaries at December 31, 1958, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (with the explanation in Notes 4 and 9 to the financial statements concerning the merger with Helemano Company, Limited) on a basis consistent with that of the preceding year.

March 5, 1959

Haskins & Sells

Certified Public Accountants

SAMUEL NORTHRUP CASTLE
1880-1959

The death of Samuel Northrup Castle February 16, 1959, removed a dedicated and distinguished citizen from the Hawaiian scene and from the board of directors of this company.

Mr. Castle was born in Honolulu February 6, 1880. He was the grandson of S. N. Castle, one of the founders of Castle & Cooke.

He served as a member of the board of directors and executive committee since March 28, 1941, and as vice president since April 10, 1957.

Throughout his long association with the company, Mr. Castle contributed a lively interest in its affairs and personnel and provided a continuity of family responsibility in the conduct of its business.

His friendship and valued counsel will be missed.

DIRECTORS & OFFICERS

DIRECTORS

J. BALLARD ATHERTON
E. E. BLACK
F. O. BOYER
A. G. BUDGE
W. M. BUSH
A. L. CASTLE
H. K. L. CASTLE
S. N. CASTLE
MALCOLM MacNAUGHTON
J. H. MIDKIFF
GEO. G. MONTGOMERY
R. E. MORTON
FREDERICK SIMPICH, JR.
T. G. SINGLEHURST
A. F. STUBENBERG
R. H. WHEELER
H. W. B. WHITE

OFFICERS

A. G. BUDGE	President
MALCOLM MacNAUGHTON	Executive Vice President
H. K. L. CASTLE	Vice President
S. N. CASTLE	Vice President
FREDERICK SIMPICH, JR.	Vice President and Secretary
W. M. BUSH	Vice President
HENRY B. CLARK, JR.	Treasurer
L. J. HOUGHTON	Assistant Treasurer
HOWARD HUBBARD	Controller
W. M. HALE, JR.	Assistant Secretary
H. M. RICHARDS	Assistant Secretary
J. F. MURPHY	Director, Industrial Relations
W. R. NORWOOD	Director, Public Relations

AUDITOR

HASKINS & SELLS

STOCK TRANSFER AGENTS

Hawaiian Trust Co., Ltd.	Honolulu
Wells Fargo Bank	San Francisco

REGISTRARS

Bishop Trust Co., Ltd.	Honolulu
American Trust Co.	San Francisco

Royal Hawaiian

MACADAMIA NUTS

Royal Hawaiian Macadamia Nuts, grown, processed and packed at Castle & Cooke's Keaau Orchard, are now on sale in most large mainland cities. A unique taste treat from Hawaii!